



GASB Statement Number 84

Fiduciary Funds



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GAAP & GASB

- Generally Accepted Accounting Principles (GAAP)
- Governmental Accounting Standards Board (GASB)
- Applies to all State and Local Governments
- GASB Statements of Governmental Accounting Standards
- GASB Technical Bulletins and Implementation Guides



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Disclaimers

- This presentation carries no authority in setting or complying with GAAP.
- This presentation is not intended to cover all aspects of GASB Statement 84 and is focused on the aspects deemed most relevant to Wisconsin school districts.



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Component Units Disclaimers

- GASB 84 has specific and potentially different criteria when determining if the activities are fiduciary that are applied only to component units
- Component Units and these differences will not be covered in this presentation.
- All examples assume it is not a Component Unit



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GASB 84

- Effective for FY2019-20
- [Link to GASB Statement Number 84](#)
 - Main statement is on pages 1-10
 - Evaluation flowcharts on pages 35-38
- [Link to GASB Implementation Guide \(IG\) #2019-2, Fiduciary Activities](#)



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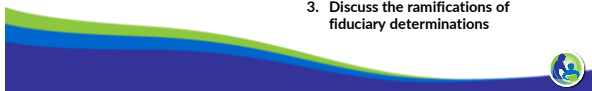
GASB 84

GASB:

1. Establishes criteria for identifying if activities are fiduciary or not
2. Establishes standards for reporting fiduciary activities

This presentation:

1. Identify the WUFAR Fiduciary Funds
2. Based on GASB 84, establish what should and should not be recorded in each Fund
3. Discuss the ramifications of fiduciary determinations



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What is Fiduciary Activity?

In general, "Fiduciary Activity is when a government is taking care of money that belongs to individuals or entities other than the government itself. "



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GASB 84 and WUFAR Fiduciary Funds

- Pension and Other Employee Benefit Trust Funds (Fund 73)
- Investment Trust Funds (Fund 76)
- Private-Purpose Trust Funds (Fund 72)
- Custodial Funds (Fund 60) - Previously known as Agency Funds



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Fiduciary Trust Criteria

For a trust to be considered fiduciary all of the following must be true:

- Assets are administered through a trust in which the government itself is not a beneficiary
- Assets are dedicated to providing benefits to recipients in accordance with benefit terms
- Assets are legally protected from the creditors of the government acting as the fiduciary



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Trust or Equivalent Arrangement

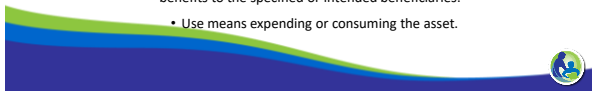
- In GASB 84 and this presentation, the term "trust" applies to trusts and equivalent arrangements
- Equivalent arrangements are not a trust by name, but have the exact same characteristics of the trust requirements on the previous slide



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Control of Assets

- Control of Asset is a requirement for all non component unit fiduciary activity
- A government controls the assets of an activity if it:
 - Holds the assets or
 - Has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended beneficiaries.
 - Use means expending or consuming the asset.



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Pension and OPEB Trust Fund (Fund 73)

Pension and OPEB Trust Fund Requirements:

- Government controls the assets and
- Government meets the applicable pension or OPEB trust criteria in GASB 67, 73 and 74; or
- Meets the trust criteria and contributions and earnings are irrevocable



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Pension and OPEB Trust Fund (Fund 73)

- We do not currently expect there to be much change for activity recorded in the Pension and OPEB Trust Fund (Fund 73)
- Districts should review the activity occurring in this fund in the context of the requirements of GASB 84.



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Assets Fiduciarily Derived

Fiduciary assets can not be derived from either:

- Government-mandated nonexchange transactions or voluntary nonexchange transaction
 - Except if the transaction is a pass-through grant for which the government does not have administrative involvement or direct financial involvement.
- Solely from the government's own-source revenues



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Own Source Revenue

- Revenue is own source when it is generated by the government, including exchange or exchange like transactions.
- IG 4.36 - Fees to fund student programs and activities in exchange for government products and services are considered own source revenue.



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Investment Trust Fund (Fund 76)

Investment Trust Fund Requirements:

- Meets trust requirements
- Government controls the assets
- Assets fiduciarily derived
- Only for the external portion of investment pools and individual investment accounts (per GASB 31)



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Investment Trust Fund (Fund 76)

- We do not currently expect there to be much change for activity recorded in the Investment Trust Fund (Fund 76)
- Districts should review the activity occurring in this fund in the context of the requirements of GASB 84.



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Private-Purpose Trust Fund (Fund 72)

Private-Purpose Trust Fund Requirements:

- Meets trust requirements
- Includes all trusts that are not Pension, OPEB, or Investment Trust Funds
- Government controls the assets
- Assets fiduciarily derived



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Private-Purpose Trust Fund (Fund 72)

- Because of the trust criteria, we do expect that some districts will have changes related to activity previously record in Private-Purpose Trust Funds (Fund 72)
- Especially related to non-trust scholarship funds.
- Will discuss scholarships in more later.
- Non trust activity should no longer be in Fund 72



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Custodial Funds (Fund 60)

Custodial Fund Requirements:

- Assets are not held in a trust
- Government controls the assets
- Assets fiduciarily derived
- Meets criteria for Benefits of Organizations or Benefits of Individuals on following slides



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Custodial Assets - Benefit of Organizations

To be for the benefit of organizations or other governments the assets must be both:

- For the benefit of organizations or other governments that are not part of the financial reporting entity. (Must be legally separate) and
- Not derived from the government's provision of goods or services to those organizations or other governments



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Custodial Assets - Benefit of Organizations

- IG 4.27 - Holding funds for legally separate 501(c)3 scholarship foundation = Meets BoO criteria
- IG 4.28 - All of a student activity club's fundraising is completely restricted to be donated to a legally separate hurricane relief NFP organization (no benefit to the student club)= Meets BoO criteria
- IG 4.16 - District's chess club, not legally separate fundraises for club tournaments = Not BoO because club is not legally separate. Evaluate as a benefit of individuals (next slide)



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Custodial Assets - Benefit of Individuals

To be for the benefit of individuals, the assets must be both:

- For the benefit of individuals and the government does not have administrative involvement or direct financial involvement with the assets; and
- Not derived from the government's provision of goods or services to those individuals



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Direct Financial Involvement Example

- Government finances some direct program costs because of grantor-imposed matching requirement or is liable for disallowed costs
- IG 4.26 - Matching student club' funds = Financial involvement.



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Administrative Involvement Examples

A recipient government has administrative involvement if, for example, the government:

- Monitors secondary recipients for compliance with program-specific requirements
- Determines eligible secondary recipients or projects, even if using grantor-established criteria
- Has the ability to exercise discretion over how funds are allocated



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Monitoring Compliance & Eligibility

- Monitors secondary recipients for compliance with program-specific requirements
- Determines eligible secondary recipients or projects, even if using grantor-established criteria
- Combined into IG 4.25.



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Exercise Discretion Over Asset Allocation

- IG 4.17 = school board policy establishes fees for student orgs = Yes, Administrative Involvement.



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Exercise Discretion Over Asset Allocation

- IG 4.18 = Student club/club president establishes how resources can be spent and approves disbursements = No
- Answer goes on to say, in assessing administrative involvement, a "substance versus form" consideration is appropriate.
- Board, administration, or faculty advisor establishing through policy = Yes.



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Exercise Discretion Over Asset Allocation

- IG 4.19 = Parents of student clubs establishes how resources can be spent = No



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Exercise Discretion Over Asset Allocation

- IG 4.20 = No district policy related to resources spent. Club disbursements are approved by the faculty advisor. Approval, reject, or modification of the spending is strictly at the discretion of the faculty advisor = Yes.
- Advisor ability to reject, modify, or approve is "more than just a formality".
- Formality = "rubber stamp"



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Exercise Discretion Over Asset Allocation

- IG 4.21 = District policy sets guidelines on how funds can be spent = Yes.
- IG 4.22 = same as 4.21, except the policy applies only to prohibiting illegal activities = No. Not substantive because doesn't relate to how funds can be spent.



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Exercise Discretion Over Asset Allocation

Conclusion:

- District policies generally = administrative involvement
- Faculty advisor approvals that are more than just a "rubber stamp" generally = administrative involvement.
- Benefit of Individuals criteria to be Custodial is not met if district has Administrative Involvement



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What, if anything, will be in Fund 60?

- Student Orgs with no administrative involvement
- Parent Orgs with no administrative involvement
- Non-trust scholarship funds with no administrative involvement (external determination of recipients and district does not monitor compliance)
- Other examples?



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What will have to move out of Fund 60

- All activity determined to not be custodial per GASB 84. May include:
- Student Orgs with administrative involvement
- Parent Orgs with administrative involvement
- Temporary Fee Deposits
- School building / Principal accounts



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Scholarships

- Fiduciary Scholarship Trust Funds – Fund 72
- Custodial Scholarship Funds – Fund 60
- Non-Fiduciary Scholarship Funds – Fund 10 or 21



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Evaluating Fiduciary Activity

- If determined not to meet the definition of a fiduciary activity, the activity is therefore a district activity and should be recorded in Fund 10 or 21.
- The Fund 10 or Fund 21 decision is currently at the district's discretion to decide which is most appropriate.



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GAB 84 - Reporting Fiduciary Activities

All Fiduciary Funds reporting now require a:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
 - Revenues and Expenditures disaggregated by source and type
 - Includes custodial funds in Fund 60



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Prior Agency Fund 60 Accounting

- No reporting of revenues and expenditures
- Assets (usually cash) = Liabilities (usually Due to Orgs)
- No Fund Balance
- None of the above apply with GASB 84



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WUFAR Account Changes

- <https://dpi.wi.gov/sfs/finances/wufar/overview>
- [SFS GASB 84 Summary](#)
- [Sample Journal Entries for Implementing GASB 84](#)
- GASB 84 WUFAR code changes implemented in WUFAR Revision 34



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WUFAR Account Changes

- Numerous title and definition changes throughout WUFAR to align with GASB 84 terminology and requirements



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WUFAR Account Changes

- In Fund 60 only:
- Create:
 - Object 997 (Custodial Expenditures) and
 - Function 440000 (Custodial Expenditures)
- Prescribed local optional Function codes in 440000 series



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WUFAR Account Changes

- In Fund 60:
- Allow:
 - Object 310 with 230000 and 252000
 - Object 940 with 252000
 - Objects 961, 962, 964, 969, 971 Adjustments
 - Sources 263, 279, 280, 291, 969, 971, 990



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WUFAR Account Changes

- In Fund 60:
- Create:
- Balance Sheet Account 936600 (Fund Balance Restricted for Custodial Funds)



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WUFAR Account Changes

- In Fund 10 and 21:
- Create:
- Function 450000 (Post-Secondary Scholarship Expenditures) with Objects 310, 370, 387, 389



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Due to Organizations Liability Changes

- The "due to organization" liability accounts should now only be used when a student or parent organization has directed the district to disburse funds to itself directly.
- Any other remaining custodial funds should be reported as a restricted fund balance (936600).



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Individual Tracking of Organizations

- Can be a significant challenge
- Multiple options for doing this, some include:
 - Within your accounting system, potentially using local optional codes or project codes
 - Some accounting systems offer activity modules
 - External tracking systems and software
- Talk with your software vendors and peers



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Timing of Changes

- GASB 84 is effective for 2019-20
- Not recommended as a best practice, but for 2019-20 some districts may choose to continue recording transactions as has been historically done and then use fiscal year end adjusting journal entries to code activity correctly for reporting.
- Then correctly setup accounting for 2020-21.



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So where do we start?

- Review GASB 84 and associated resources
- Review district policies and procedures
- Evaluate all possible fiduciary activities
- Discuss with your auditors
- Discuss with your software vendors



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Questions?



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